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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011 DOCKET NO. N2012-1

SURREBUTTAL TESTIMONY OF

FRANK NERI

ON BEHALF OF THE

UNITED STATES POSTAL SERVICE

(USPS-SRT-1)

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Autobiographical Sketch

My name is Frank Neri. I am Manager of Processing Operations in Network Operations at United States Postal Service (USPS) headquarters. I testified previously in this docket (see USPS-T-4 and USPS-ST-1). My autobiographical sketch at page i of USPS-T-4 is incorporated by reference herein.

I. Purpose And Scope Of Testimony

This purpose of this surrebuttal testimony is to respond to the portion of the testimony of Postal Regulatory Commission witness Matz (PRCWIT-T-2) at pages 4100-01 of Tr. Vol. 11 which asserts that:

(1) Run Plan Generator is unsuitable for use by local postal managers as a tool for mail processing equipment capacity planning; and

(2) the modeling performed by the Postal Service as part of the its network redesign lacks "site level" analysis.

There are no library references associated with my surrebuttal testimony.

II. Local Management Plays A Central Role In Equipment Planning

The Postal Service undertook significant planning efforts with relation to equipment capacity, mail flow, and full-time equivalent (FTE) workhour planning associated with Network Rationalization. Accordingly, while it is fair for witness Matz to characterize our network rationalization effort as a "national-level"

planning initiative at Tr. Vol. 11 at 4100, the effort involves significant participation from postal managers at various levels of the organization.

As explained in the direct testimony of witness Rosenberg (USPS-T-3), the process of redesigning the network began at Headquarters with use of the LogicNet Plus model to identify potential mail processing plant consolidation opportunities to subject to further feasibility analysis. The list of opportunities that emerged was then refined through many consultations involving Headquarters and Area operations and transportation managers to incorporate expert operational knowledge and insight into the planning process. After publication of a consolidation candidate list in September 2011 (*see* USPS Library Reference N2012-1/6), Headquarters collaborated with Area and District level processing and transportation managers well into February 2012 to answer the following three questions for each proposed consolidation:

(1) Based on the projected volume and mail arrival profile, how much equipment would be required at each mail processing plant that would remain when the network is consolidated as planned?

(2) Would all of the proposed mail processing equipment deemed necessary to support operations at each network node fit in each designated remaining facility?

(3) Does a business case support the consolidation?

The consolidation feasibility analysis conducted through use of the Area Mail Processing (AMP) guidelines in the USPS Handbook PO-408[1] and reflected in the resulting documentation of AMP decisions mainly focused upon the business case for a proposed consolidation. By its very nature, the AMP review

[1] USPS Library Reference N2012-1/3.

process begins with local management site-level analysis. In addition, the AMP process also establishes the internal management mechanism through which the other two questions are answered, again, with significant local Area and District management site-level input.

III. Run Plan Generator Functionality Exceeds The Limits Assumed By Witness Matz

Below, I will summarize Matz how Run Plan Generator was utilized to help determine the required equipment set for each remaining network node. In each case, this began with a Headquarters forecast of the local volumes by operational group (such as outgoing letters, outgoing flats, incoming letters and Delivery Point Sequencing) for each proposed consolidation. For example, if the AMP study examined moving operations from Site A into Site B, Headquarters provided the volumes for the 95 percent peak day in 2010 for the aggregate of Site A plus Site B for planning purposes. The local AMP team then entered these data into Run Plan Generator (RPG) based upon the proposed operating plan at each mail processing plant in the network proposed to remain in operation to determine if the 95 percent peak day volume would fit on the equipment set proposed for that facility. These determinations were the product of an iterative process that involved Headquarters, Area and local managers and were completed during the course of each AMP analysis.

As stated by PRC witness Matz (Tr. Vol. 11 at 4100), Run Plan Generator is a planning tool employed routinely by local postal operations managers using historical data to show how next week's volumes could be processed on a day-

to-day basis. However, this is not the only functionality of the tool. The volume forecasting feature on the tool can be and is routinely overridden by users to plan for different volumes other than those developed on the basis of local historical data. This functionality was utilized by local AMP coordinators to plan for equipment sets.

Headquarters provided the aforementioned 95 percent peak volumes by operation from 2010[2] and also provided a proposed equipment set for each mail shape. The local mail arrival profile, the aforementioned volumes and proposed equipment sets, and the new operating plan based upon proposed changes in service standards were fed into RPG to determine if all of the volume could be successfully processed during proposed operating windows. In many cases, Area and local managers demonstrated that the necessary equipment set was different than had been originally projected by Headquarters. Numerous consultations among Headquarters, Area, and local coordinators were conducted for the purpose of analyzing RPG model results and completing site-specific equipment capacity planning. The final equipment sets in each AMP package reflect a consensus determination of the capacity that is deemed necessary in each facility to process the 95 percent peak day of 2010 volumes for all operations being consolidated into a single site. These proposed equipment sets were summarized by witnesses Rosenberg (USPS-T-3) and Bratta (USPS-T-5 and USPS-ST-1) for the entire network.

The RPG plans also show a 95 percent peak week indicating how many machines are projected to be in operation, during which hours of the day, and for

[22] The combined volumes of all operations proposed to be consolidated into a gaining site.

how long. Local coordinators use this information to generate employee schedules for a facility. The staffing standards for each piece of equipment and the leave rates are taken into account to appropriately staff the facility.

After determining the projected equipment set for each remaining facility proposed to remain in the network, the next step was to determine if that equipment would fit in the facility. The initial part of this analysis involved a basic, high-level arithmetic exercise based upon equipment sizes to determine if the physical facility size was large enough to handle the proposed equipment set. If the arithmetic exercise showed that the proposed equipment set was infeasible, the proposed consolidation was scrutinized more closely to determine whether and how to move forward. For instance, if it was determined during this arithmetic exercise early in the AMP process that a proposed consolidation was not feasible, the study was terminated.[3] If the arithmetic analysis showed feasibility, the next step was to employ the use of AutoCAD to produce a proposed facility layout that would support the inclusion of all proposed mail processing equipment with consideration given to such factors as the shape of the facility, columns and mail flows.[4] An AutoCAD space analysis was performed for each gaining site in the proposed network. Headquarters, Area and local managers consulted to resolve whether proposed operations could fit in each building. This step was necessary in order to move an AMP consolidation proposal to the next step in the review and approval process. If expansion of a

[3] As was the case for the Manasota P&DC-into-Tampa P&DC FL AMP proposal identified in USPS Library Reference N2012-1/6 at line 149.

[4] *See* USPS-T-3 at n. 25, and Tr. Vol. 4 at 1400. AutoCAD refers to Automatic Computer Aided Designing.

gaining facility was deemed necessary due to the addition of mail processing equipment, such expansion and the necessary funding was accounted for in the AMP document.

Now that it has been determined that all of the consolidations will fit in each scenario, Headquarters is currently in the process of "scoring" each proposed layout to determine the efficiency of the original layouts or to see if a more efficient mail flow can be developed. Layouts are given a score according to the distance that all mail will move between operations within a facility.

IV. The Business Management Guide Has Limits Not Apparent To Witness Matz

The Business Management Guide (BMG) referenced by witness Matz (Tr. Vol. 11 at 4100) is no longer used by the Postal Service and was not capable of performing the type of for which RPG was utilized. The BMG was not capable of using forecasted volumes to plan equipment sets based upon arrival profiles or determining how many employees are needed during which days and at what start times.

Generally speaking, BMG showed which operations were productive during which times of day, but was not an operational planning tool that could be used to alter staffing for a nationwide operating plan change. I am informed that BMG was an excellent tool for evaluating various workforce flexibility options and was used at Headquarters to perform sensitivity analyses to determine the costs or savings associated with different levels of workforce flexibility. At the Area and District level, users could input their budget for the following years and determine

if they were currently overstaffed or understaffed based upon the allotted hours. BMG has also been used to "cost out" incremental changes to Same Period Last Year (SPLY) operations. If a facility wanted to cost out a potential change in operations, they could enter the change in workhours and see if the existing complement could absorb the increase/decrease in workload.

BMG worked very well in these situations because of the stability in the USPS workforce permitted the use of Same Period Last Year (SPLY)-based data to make decisions because employees' utilization was very consistent from year-to-year within comparative time periods. The new APWU contract changed the SPLY relationship with the introduction of NTFT employees. There is no SPLY base for NTFTs, so the model cannot cost out how these employees fit into the workplace. For a similar reason, BMG has not traditionally been utilized to cost out significant changes to facilities such as consolidations. The SPLY-based analysis within BMG does not work because the new environment is very different from the historical process.

Even if the BMG were updated to be able to create the optimal schedule of NTFT employees, initial postings of these positions reflect that there currently is little demand by full-time employees to convert to a less-than-40 hour work week shift or a flexible schedule. As of June 15, there were 3381 NTFT positions in mail processing in the Postal Service. This represents 3 percent of the non-management, mail processing workforce. Many of these NTFT positions were conversions of former Part-Time Regular (PTR) positions that maintained the same hours and same days off. Therefore, even if BMG or a comparable model

could create the perfect flexibility for the use of this employee, history has shown that only a low percentage of current USPS employees are willing to leave a full time position to convert to a NTFT.

In addition to not having historical data on which to rely, BMG was not used during Network Rationalization because it is not a specific scheduling or staffing tool. It does not take workload and operating windows as an input and return necessary workforce as an output. RPG provides the basis of staffing and scheduling by planning how many machines will be run, how long the run time will be and when the forecasted volume is expected to be finished. The local experts use information from RPG to determine the staffing and scheduling for each piece of equipment based upon the required run time. Although RPG does not specifically model workforce flexibility, the change in operating windows associated with Network Rationalization makes it less complicated to apply workforce flexibility rules. Much of the flexibility will be at the end of the day. Incoming letter mail processing will begin at noon and continue until DPS is complete. Once Delivery Point Sequencing is complete, temporary employees can be released for the day.